

**Department of Telecommunications and Energy  
Second Set of Information Requests**

**THE BERKSHIRE GAS COMPANY  
D.T.E. 03-89**

**Witness:** Karen L. Zink

**Date Filed:** December 2, 2003

**Question:**

**DTE 2-1**

Refer to the Company's response to Information Request DTE-1-11. Please provide all back-up materials, analyses, and internal memoranda that support the Company's assertions that: yields were rising at the time of the Company's filing. Please provide any data showing the trend in both electronic and hard-copy format.

**Response:**

The Company monitors a variety of sources of information which provide daily, weekly, monthly, annual, and historical treasury rates for both short- and long-term issues, including business news reports. The federal reserve website lists rates for several market transactions, including treasury rates. The website address is [www.federalreserve.gov/Releases/H15/data.htm](http://www.federalreserve.gov/Releases/H15/data.htm). The ten year, twenty year, and greater than twenty five year treasury rates available from this website for the period May 30, 2003 through November 14, 2003 are provided as Attachments A, B and C for review and support the Company's statement as to significant movement in rates during that period. Another website which provides similar information is from the U. S. Treasury website which provides the daily treasury yield curve, or "Constant Maturity Treasury Rates". This website address is <http://www.ustreas.gov/offices/domestic-finance/debt-management/interest-rate/yield.html> and provides current and historical data for various periods of time. The daily treasury yield curve rates for the daily June 2003 through November 2003 information is attached. The Company specifically focused on the 10 year and 20 year data on these charts.

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**Question:**

**DTE 2-2**

Refer to the Company's response to Information Request DTE-1-12. Please indicate the specific point at which the determination will be made on the index to be applied. Please detail the differences among the following indices: the Prime Rate, LIBOR, and KeyBank.

**Response:**

The **Prime Rate** is defined by The Wall Street Journal™ as "*The base rate on corporate loans posted by at least 75% of the nation's 30 largest banks.*" LIBOR is an abbreviation for the "London Interbank Offered Rate," and is the interest rate offered by a specific group of London banks for U.S. dollar deposits of a stated maturity. The LIBOR is used as a base index for setting rates of some adjustable rate financial instruments, including Adjustable Rate Mortgages (ARM's). The term "Libor Loan" is commonly used to describe loans which have an interest rate based on the Libor Index. Programs range from "Interest Only" Libor Loans to Fixed Rate Mortgages. Finally, the **KeyBank** rate referred to in the response to DTE 1-12 was simply the prime rate quoted by KeyBank for the Company's Term Note that matured on September 30, 2003. The Company expects that any debt issued pursuant to the proposed financing plan will be priced off either the Prime Rate or the LIBOR. The Company will likely select the lender that offers the most attractive "spread" over these published indexes.

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**Question:**

**DTE 2-3**

Refer to the Company's response to Information Request DTE-1-17. Please indicate whether the Company has compiled a list of potential lenders. If yes, please provide such list. If no, please indicate why not?

**Response:**

The Company will not select a definitive list of potential lenders until it seeks to issue debt securities during the term of the proposed financing plan. However, it is expected that lenders that have had relationships with Berkshire and the other Energy East companies would be considered and asked to provide competitive proposals. Those lenders include Banc One, Bank of New York, Banknorth, Citibank, Fleet, J. P. Morgan Chase, and KeyBank. Additionally, the investment bankers that would be considered to use in seeking out potential lenders would include, but not be limited to, USB and Morgan Stanley.